

1992

FOCUS ON MANHATTAN TRENDS

MIDTOWN

Health Insurance Plan of Greater NY leased 208,340 square feet at 7 West 34th Street.

MIDTOWN

Corporate Property Investors exercised its convertible mortgage option on 767 Fifth Avenue.

MIDTOWN

LeBoeuf Lamb Leiby & MacRae leased 220,947 square feet at 128 West 55th Street.

DOWNTOWN

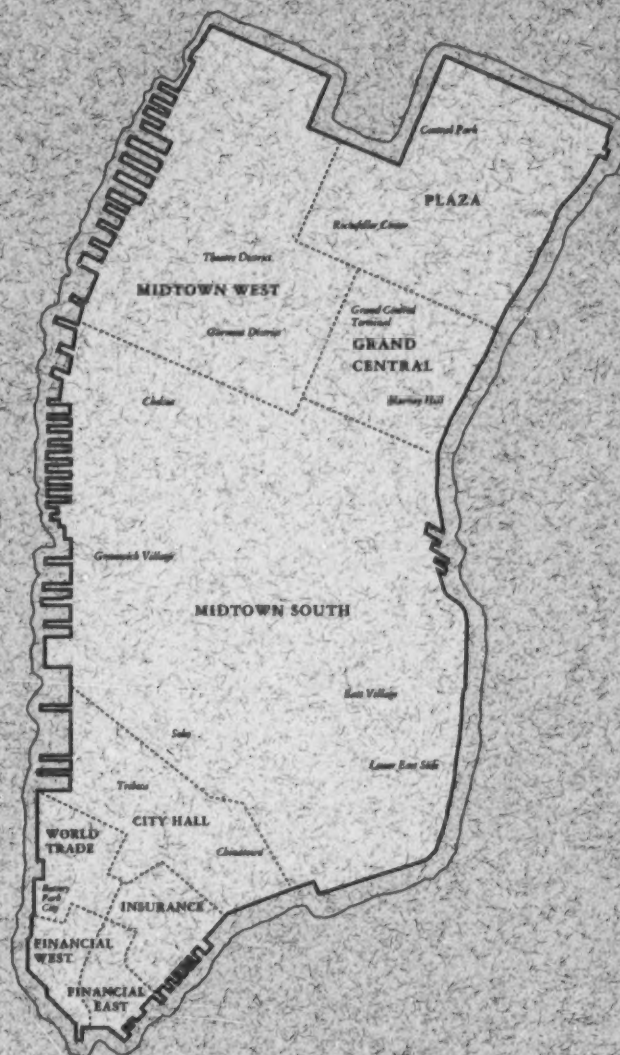
Credit Suisse leased 147,183 square feet at One Liberty Plaza.

DOWNTOWN

Merrill Lynch vacated 844,000 square feet at One Liberty Plaza.

DOWNTOWN

The Federal Government announced plans for construction on Foley Square and 290 Broadway.



CUSHMAN & WAKEFIELD.
A ROCKWELLER GROUP COMPANY

Business America's Real Estate Firm

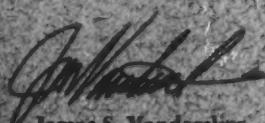
Manhattan Office Market Year-End 1991

The Manhattan office market was severely affected by the continuing recession that began in 1990. This two-year recession caused the loss of half a million jobs because of corporate downsizing, relocations, and a record number of business failures occurring in 1991.

Primary asking rental rates declined from 1990 but effective rental rates were depressed further due to aggressive concession packages by owners. The Midtown primary vacancy rate decreased to 16.8 percent from 17.2 percent at the end of 1990, while in Downtown the primary vacancy rate increased to 16.4 percent from 16.1 in 1990. These vacancy rate changes were a result of the dynamics of the economy described previously as well as the completed construction of approximately 1.1 million square feet.

In any market that experiences dramatic change, opportunities are created. There were major leases signed in 1991 by Sony Corporation, Health Insurance Plan (HIP) of Greater NY, LeBoeuf Lamb Leiby & MacRae and Credit Suisse which were part of the 16.9 million square feet leased in 1991, a 20 percent decrease from 1990. In addition, reduced occupancy costs made it possible for companies that may have relocated from New York City to remain in the City. The overall cost savings realized by companies executing leases in this environment will improve bottom line performance, therefore improving the long-term health of the New York economy.

The forecast for 1992 is a continuation of aggressive concession packages being offered to tenants parallel to an improving economic environment as the recession abates in 1992. No new developments will occur without significant pre-leasing commitments by credit worthy tenants. Therefore, the market will be able to work toward an equilibrium of supply and demand. I am confident the Manhattan real estate market has been through the worst and the New York economy will benefit significantly due to the opportunities presented to companies making location decisions today.



James S. Vanderslice

Managing Director

Branch Manager, New York Offices

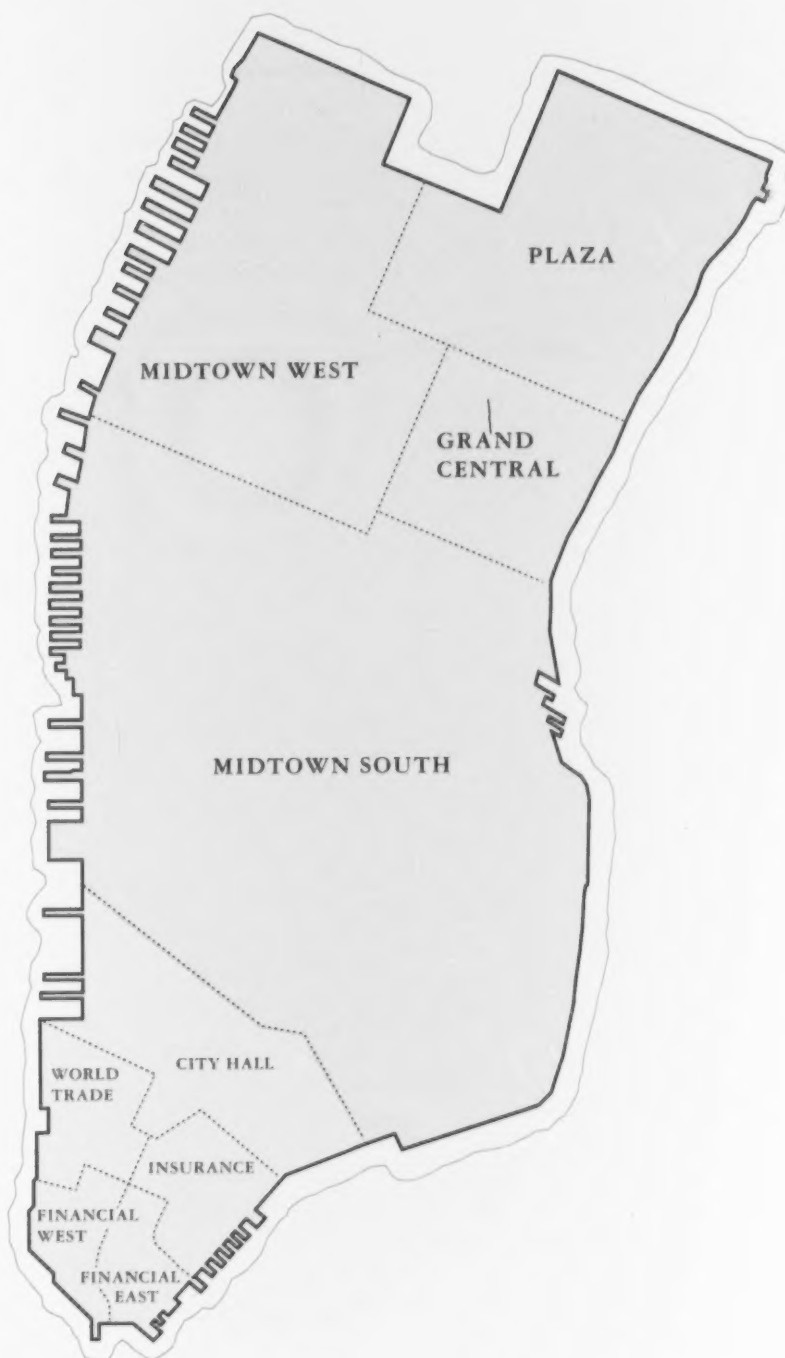
Cushman & Wakefield

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**Midtown
Manhattan**



PLAZA
GRAND CENTRAL
MIDTOWN WEST
MIDTOWN SOUTH

**Downtown
Manhattan**

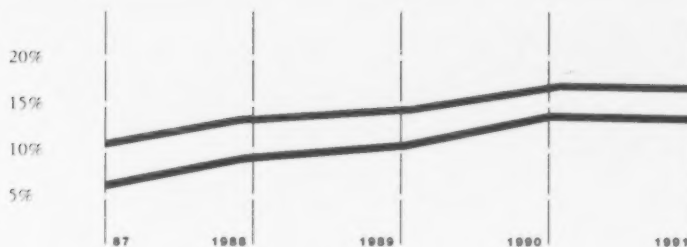
FINANCIAL EAST
FINANCIAL WEST
WORLD TRADE
INSURANCE
CITY HALL

Manhattan Midtown and Downtown Review

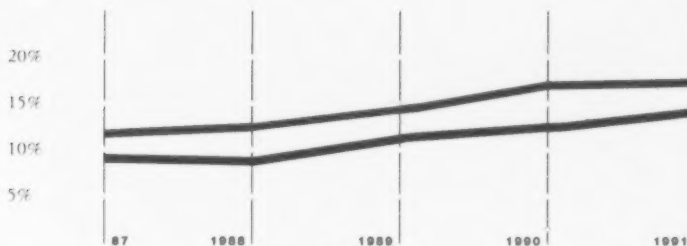
PRIMARY HISTORICAL VACANCY RATE 1987-1991

■ Direct Vacancy Rate ■ Overall Vacancy Rate

MIDTOWN



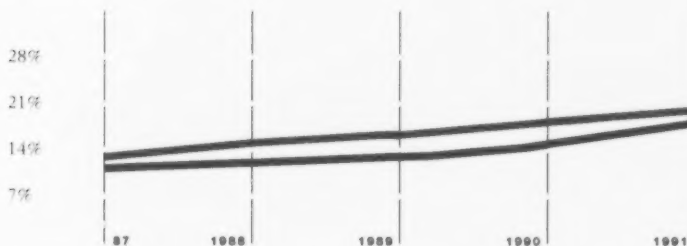
DOWNTOWN



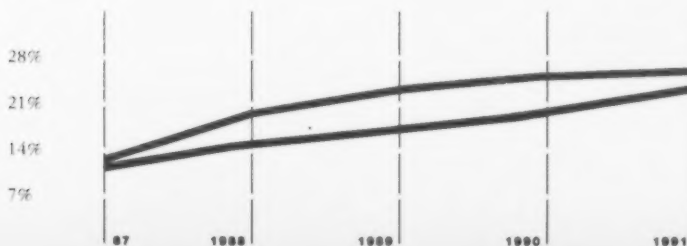
SECONDARY HISTORICAL VACANCY RATE 1987-1991

■ Direct Vacancy Rate ■ Overall Vacancy Rate

MIDTOWN



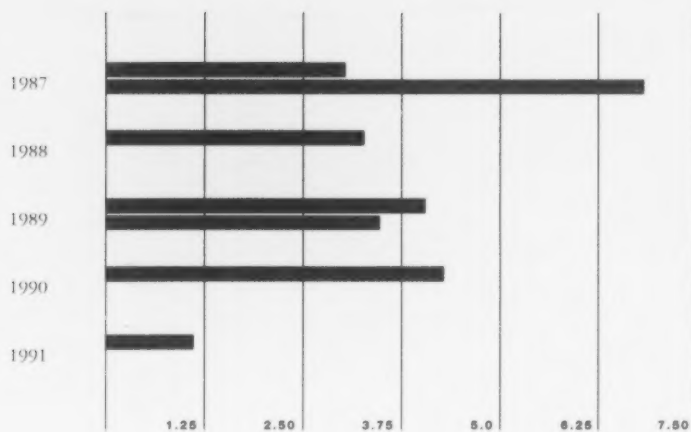
DOWNTOWN



Yr	Mkt	Dir Vac %	Over Vac %
87	M	11.7	13.3
	D	11.1	12.6
88	M	12.2	14.7
	D	14.9	19.3
89	M	12.8	15.1
	D	16.3	22.3
90	M	14.2	16.8
	D	18.9	23.3
91	M	16.7	18.5
	D	22.8	25.1

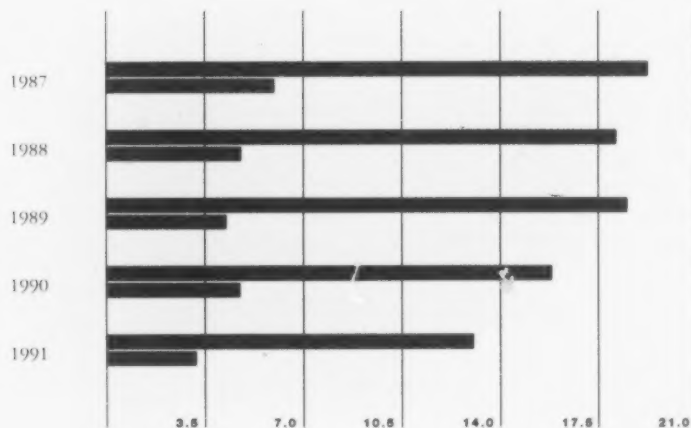
HISTORICAL CONSTRUCTION COMPLETIONS 1987-1991

■ Midtown (msf) ■ Downtown (msf)



HISTORICAL LEASING ACTIVITY 1987-1991

■ Midtown (msf) ■ Downtown (msf)



Manhattan Midtown and Downtown Review

Year	Mkt	Sq ft
1987	M	3,002,546
	D	6,675,900
1988	M	3,297,986
	D	0
1989	M	3,934,181
	D	3,412,380
1990	M	4,188,277
	D	0
1991	M	1,089,986
	D	0

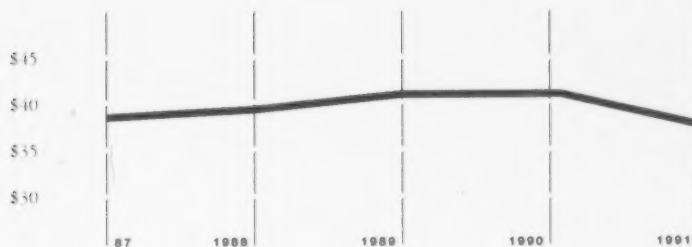
Year	Mkt	Sq ft
1987	M	19,182,000
	D	6,394,400
1988	M	17,898,400
	D	5,510,300
1989	M	18,317,700
	D	4,556,600
1990	M	15,893,000
	D	5,231,600
1991	M	13,421,600
	D	3,437,100

Manhattan Midtown and Downtown Review

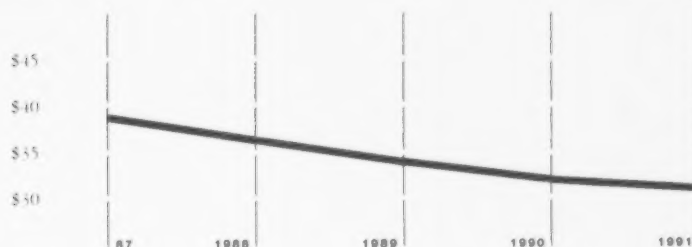
PRIMARY HISTORICAL WEIGHTED AVERAGE RENTAL RATE 1987-1991 (\$/sf)

Yr	Mkt	Wtd Ave Rental Rate
87	M	\$38.46
	D	\$38.67
88	M	\$39.45
	D	\$36.06
89	M	\$40.28
	D	\$34.26
90	M	\$40.26
	D	\$32.99
91	M	\$37.47
	D	\$31.80

MIDTOWN



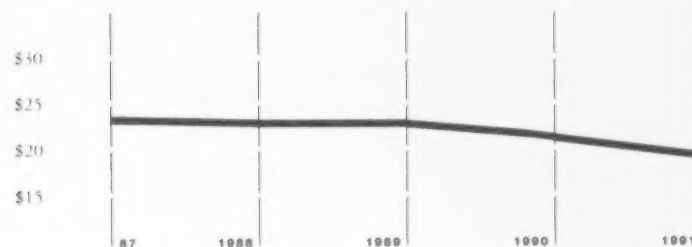
DOWNTOWN



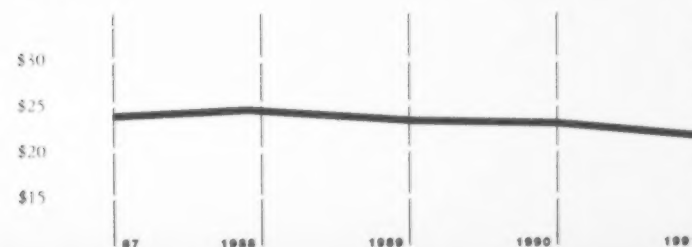
Yr	Mkt	Wtd Ave Rental Rate
87	M	\$23.76
	D	\$24.03
88	M	\$23.47
	D	\$24.88
89	M	\$23.26
	D	\$23.66
90	M	\$21.10
	D	\$22.58
91	M	\$19.71
	D	\$21.24

SECONDARY HISTORICAL WEIGHTED AVERAGE RENTAL RATE 1987-1991 (\$/sf)

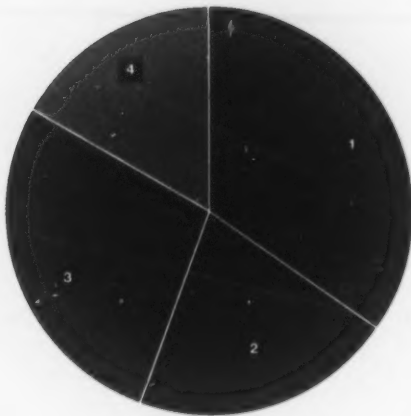
MIDTOWN



DOWNTOWN

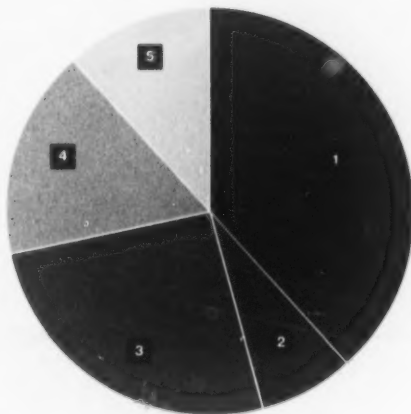


MIDTOWN INVENTORY DISTRIBUTION BY DISTRICT



District	Total sf	% of Inv.
1 Plaza	86,276,044	34.9
2 Grand Central	51,608,868	20.8
3 Midtown West	68,903,316	27.8
4 Midtown South	40,810,414	16.5
Midtown Total	247,598,642	100

DOWNTOWN INVENTORY DISTRIBUTION BY DISTRICT



District	Total sf	% of Inv.
1 Financial East	41,520,574	38.4
2 Financial West	8,241,891	7.6
3 World Trade	27,824,777	25.8
4 Insurance	18,129,931	16.8
5 City Hall	12,310,343	11.4
Downtown Total	108,027,516	100

Several variables must be considered in forecasting office space demand in Manhattan. A proprietary model utilizing these variables has been developed by Cushman & Wakefield in order to project primary space vacancy rates for three economic scenarios.

Incorporated into the model are projections of employment growth in Manhattan through 1994. Changes in employment are then translated into future demand for primary office space.

FORECAST ASSUMPTIONS

In making the projections, various rates of employment growth and/or decline were assumed. In 1992, for example, the best case assumes that there would be no net change in Manhattan employment in FIRE (Finance, Insurance and Real Estate) and other office-demand producing industries. In the moderate case, a -0.5 percent change was tested, and in the worst case, a -1.5 percent decline was assumed.

In the moderate and worst case scenarios it was projected that corporate relocations out of Manhattan would continue through 1994. In the best case, a slowdown in the shift of workers out of Manhattan was examined based on the availability of favorable lease rates in Manhattan, and the high cost associated with moving employees and facilities. Exceptional leasing opportunities also were reflected in the forecast by accounting for moves from secondary to primary space.

It was assumed in all scenarios that proposed construction, planned for completion in 1993 in the Midtown market would be delayed for two years. In the Downtown market, in all scenarios, one of two projects proposed for 1993 was determined to be postponed until 1995, and the other project was assumed to be postponed beyond 1995. Three federal and state buildings slated for completion in 1994 were assumed to remain on schedule.

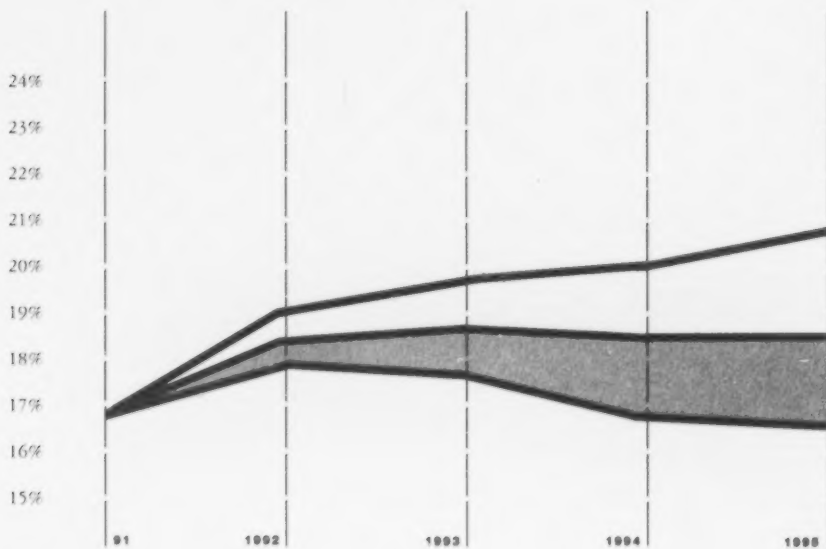
MIDTOWN

The primary vacancy rate for Midtown in 1992 is forecasted to increase to between 17.9 and 19.0 percent, up from 16.8 percent in 1991, as two million square feet of new construction is scheduled to be completed. In 1993, the vacancy rate could decline to 17.6 percent in the best case if proposed construction is delayed. In the moderate and worst cases, the vacancy rate could range to between 18.6 and 19.7 percent reflecting continued stagnation in the local economy. In 1994 the best case scenario forecast reflects a further decrease in the vacancy to 16.8 percent, and in the moderate case a decrease to 18.3 percent. This assumes an economic recovery, and no new buildings. In the worst case, the vacancy rate will rise to 20.0 percent if Midtown employment continues to decline.

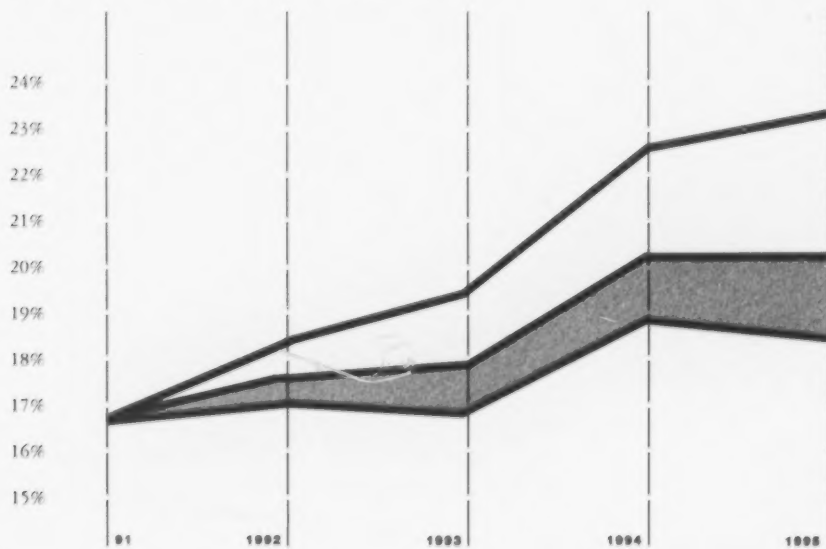
DOWNTOWN

Cushman & Wakefield estimates that in 1992 the vacancy rate will increase to between 16.8 and 18.1 percent from 16.4 percent in 1991, due to declines in employment and the shift of jobs to locations out of Manhattan. In the best case forecast, the primary vacancy rate could fall in 1993 to 16.6 percent if two buildings proposed for completion are delayed. In the moderate and worst case scenarios, the vacancy rate in 1993 could rise to a range between 17.6 and 19.2 percent as employment in Downtown continues to decline. In 1994 vacancy rates could increase to a range between 18.6 and 22.3 percent primarily due to the completion of three million square feet of U.S. Government and State sponsored projects which would draw demand from existing Downtown buildings.

MIDTOWN PRIMARY VACANCY RATE FORECAST



DOWNTOWN PRIMARY VACANCY RATE FORECAST



Manhattan Investment Review

A limited number of sales transactions, no major financings and a few foreclosures summarized the investment sales market in New York City during 1991.

Although Manhattan's office leasing market is depressed, the majority of owners have not been placed in a position where they are forced to sell. With interest rates at their lowest levels in many years, owners are able to service their mortgages despite lower cash flows. Lenders have not been anxious to foreclose and have worked diligently with existing owners.

PRICES VARY

The per-square-foot prices varied dramatically, from \$80 to over \$1,000, as did the cash on cash yields, from 7 to 10 percent. In fact, the only statement which can be made about investments in 1991 is that compared to recent historical transactions on comparable properties, prices were substantially lower.

As has always been the case in New York, buyers' and sellers' motivations varied, but were primarily focused on a need for capital for sellers, and a prestigious location or building for buyers. The motivations of the sellers included: the need to raise capital, governmental disputes, a Chapter 11 auction and an option conversion. The buyers' motivations were to seek properties with triple-A locations, prestige, or yields, both existing and potential.

SALES/FINANCINGS

No major sale occurred in 1991 due to foreclosure, as most lenders and owners were in the process of workouts. One sale did occur in 1991 as a result of a Chapter 11 filing, and as many as five other major properties were placed under Chapter 11 protection.

No significant financings were announced in 1991. The only major development involving financing was the purchase of the CALPERS mortgage on 60 Broad Street by Li-Ka Shing of Hong Kong. The mortgage was purchased for \$57 million, a write-down of over \$100 million, from its original face value of \$160 million. A joint venture agreement was reached between Olympia & York and the Li family as part of this transaction.

OUTLOOK FOR 1992

The majority of Manhattan's primary inventory is controlled by corporations and institutions with the financial strength to ride out a depressed market. The

current real estate cycle, resulting from overbuilding and corporate retractions, has seriously impacted the leasing market, providing an opportunity for tenants to upgrade their space. The secondary markets have been hit hard, and therefore, the greatest opportunities will lie in these markets. The primary buildings that come up for sale due to unresolved debt structures, partnership disputes or priority needs for capital, will be sold at levels that are significantly below previous years' and should allow these buyers to effectively compete in today's leasing market.

The 1992 investment market is likely to be similar to the market of 1991—sales will occur, although on a limited basis. It is anticipated that foreclosures and Chapter 11 proceedings will play a more significant role in shaping the real estate market. For the third consecutive year, it will be a buyers' market; however, only a limited amount of investment product will be available.

1991 MAJOR BUILDING SALES

Property	Buyer	Purchase Price
767 Fifth Avenue	Corporate Property Investors	\$500 million
99 Park Avenue	Eastgate Realty	\$105 million
730 Fifth Avenue	The Green Group	\$93.6 million
60 Broad Street*	Li-Ka Shing	\$57 million
350 Fifth Avenue (land only)	E.G. Holding Company	\$40 million
16 East 34th Street	Loeb Partners Realty	\$23.7 million
220 Fifth Avenue	Dino Tomasetti	\$17.5 million
29 West 57th Street	Holy Property Company	\$17 million
19 East 57th Street	Mario Valentino S.P.A.	\$13.3 million

* Mortgage Purchase

MIDTOWN MANHATTAN



PLAZA

47th to 65th Streets, East
of Seventh Avenue

GRAND CENTRAL

32nd to 47th Streets, East
of Fifth Avenue

MIDTOWN WEST

30th to 47th Streets, West
of Fifth Avenue, 47th to
65th Streets, West of
Seventh Avenue

MIDTOWN SOUTH

Canal Street to West 30th
and East 32nd Streets,
Hudson River to East River

Midtown Manhattan Office Market Overview

During 1991, Midtown witnessed declining rental rates, a slowdown in construction completions, fewer additions of large blocks of space than in previous years, and steady leasing activity. Although the primary vacancy rate declined, the secondary vacancy rate increased as reduced rental rates afforded many tenants the opportunity to upgrade into primary space.

Construction completions totalled 1.1 msf in four buildings, down substantially from last year's 4.2 msf. Two of these projects, 101 Avenue of the Americas, and 43 East 53rd Street, are entirely owner-occupied by the Service Employees Local Union 32B-32J and Banco Santander, respectively. Plaza 57 at Nippon Club and 420 Fifth Avenue are multi-tenant projects.

Several companies made substantial blocks of space available including Bantam Doubleday Dell Publishing Group, CBS and Phibro Salomon. Most notably, W.R. Grace and Company put 312,000 sf on the market prior to its relocation to Florida, and the law firm of Olwine, Connelly, Chase, O'Donnell & Wehyer added 110,000 sf due to its dissolution.

PLAZA

Despite Manhattan's depressed real estate market, the district prospered in 1991 with strong leasing activity and declining vacancy rates. The City's largest lease, totalling 620,000 sf, was executed by Sony Corporation at AT&T's landmark headquarters building at 550 Madison Avenue. Two major commitments were also secured at

125 West 55th Street by LeBoeuf, Lamb, Leiby & MacRae and Katz Communications.

Leasing activity of 5.2 msf outpaced space additions allowing both the primary and secondary vacancy rates to decline. Asking rental rates remained the highest in Midtown, although both primary and secondary rates declined from 1990 levels. Only the Takashimaya Building at 693 Fifth Avenue is scheduled for completion in 1992; the proposed 1.4-msf Rockefeller Plaza West project awaits the signing of an anchor tenant before beginning construction.

GRAND CENTRAL

With the completion of 450 Lexington Avenue delayed until 1992, no new construction was completed for the third consecutive year. In the district's largest lease, the money management firm Neuberger & Berman committed to 159,275 sf formerly occupied by Laventhol & Horwath. Leasing activity, however, was not substantial enough to offset space additions by companies such as Merrill Lynch which vacated 81,000 sf. Accordingly, the primary vacancy rate increased, while primary asking rental rates declined.

In an effort to enhance the appearance and safety of the area, the Grand Central Partnership, which consists of a group of property owners, will continue to provide funds for improvements through a self-imposed real estate surcharge. In addition, Metro North is spending \$400 million on Grand Central Terminal's refurbishment.

MIDTOWN WEST

Although this district's primary vacancy rate declined slightly, it still remained the highest in Midtown. Leasing activity decreased by almost 22 percent from a year ago. However, two major leases were signed by Health Insurance Plan of Greater New York (HIP) and Turner Broadcasting System's Cable News Network (CNN).

This market's substantial vacancies are partially due to the ripple effect that the Industrial Commercial Incentive Plan (ICIP) and zoning bonuses continue to have; it encouraged the construction of over 8.0 msf between 1988 and 1990. The pace of development, however, has slowed. The only project scheduled for delivery in 1992 is Americas Tower totalling 943,000 sf.

MIDTOWN SOUTH

The district's primary vacancy rate declined dramatically to 5.9 percent from last year's 9.4 percent. This is a direct result of MacMillan/McGraw Hill's School Book Division leasing 134,315 sf, formerly occupied by Integrated Resources, at 10 Union Square East. With the lowest primary asking rental rate in Midtown, and the largest secondary inventory, Midtown South continues to offer attractive, low-cost space to tenants considering relocating from Manhattan.

District	Inventory (sf)	Direct Available (sf)	Sublease Available (sf)	Overall Available (sf)	Direct Vacancy Rate	Sublease Vacancy Rate	Overall Vacancy Rate
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PLAZA

Primary	82,010,731	9,118,710	3,828,318	12,947,028	11.1%	4.7%	15.8%
Secondary	4,265,313	512,411	25,459	537,870	12.0%	0.6%	12.6%
Overall	86,276,044	9,631,121	3,853,777	13,484,898	11.2%	4.5%	15.6%

GRAND CENTRAL

Primary	41,216,212	5,508,217	1,734,827	7,243,044	13.4%	4.2%	17.6%
Secondary	10,392,656	1,380,319	115,539	1,495,858	13.3%	1.1%	14.4%
Overall	51,608,868	6,888,536	1,850,366	8,738,902	13.3%	3.6%	16.0%

MIDTOWN WEST

Primary	39,408,604	6,438,185	1,482,026	7,920,211	16.3%	3.8%	20.1%
Secondary	29,494,712	4,582,132	570,597	5,152,729	15.5%	1.9%	17.5%
Overall	68,903,316	11,020,317	2,052,623	13,072,940	16.0%	3.0%	19.0%

MIDTOWN SOUTH

Primary	7,947,196	271,303	198,745	470,048	5.4%	2.5%	5.9%
Secondary	32,863,218	6,392,774	679,438	7,072,212	19.5%	2.1%	21.5%
Overall	40,810,414	6,664,077	878,183	7,542,260	16.3%	2.2%	18.5%

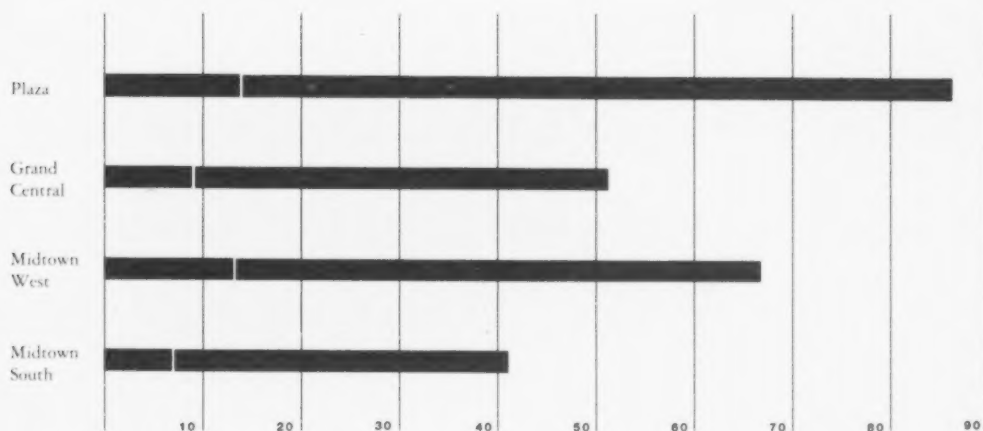
MIDTOWN

Primary	170,582,743	21,336,415	7,243,916	28,580,331	12.5%	4.2%	16.8%
Secondary	77,015,899	12,867,636	1,391,033	14,258,669	16.7%	1.8%	18.5%
Overall	247,598,642	34,204,051	8,634,949	42,839,000	13.8%	3.5%	17.3%

Total Available Space Compared to Inventory

TOTAL AVAILABLE SPACE COMPARED TO INVENTORY

Total Occupied (msf)
 Overall Available (msf)



Historical Construction Completions

District	1987	1988	1989	1990	1991
Plaza	1,274,028	682,650	1,227,447	1,314,500	156,488
Grand Central	124,080	903,724	0	0	0
Midtown West	558,449	1,656,612	2,706,734	2,873,777	546,750
Midtown South	1,245,989	55,000	0	0	386,748
Midtown Total	3,002,546	3,297,986	3,934,181	4,188,277	1,089,986

1991 Rental Rate Summary

District	Primary Rental Rate Range (\$/sf)	Primary Weighted Average Rental Rate (\$/sf)	Secondary Rental Rate Range (\$/sf)	Secondary Weighted Average Rental Rate (\$/sf)	Under Construction Weighted Average Rental Rate (\$/sf)
PLAZA					
Direct	\$25.00-\$75.00	\$42.30	\$15.00-\$48.00	\$29.36	\$65.00
Sublease	\$15.00-\$67.00	\$36.29	\$18.00-\$34.00	\$23.59	N/A
Overall	\$15.00-\$75.00	\$40.52	\$15.00-\$48.00	\$29.09	\$65.00
GRAND CENTRAL					
Direct	\$18.00-\$62.00	\$34.60	\$15.00-\$34.00	\$23.61	\$49.88
Sublease	\$9.75-\$52.00	\$32.84	\$14.40-\$35.00	\$21.30	N/A
Overall	\$9.75-\$62.00	\$34.18	\$14.40-\$35.00	\$23.44	\$49.88
MIDTOWN WEST					
Direct	\$14.00-\$56.00	\$37.94	\$10.00-\$40.00	\$21.75	\$44.55
Sublease	\$12.00-\$40.00	\$29.26	\$8.00-\$40.00	\$18.69	N/A
Overall	\$12.00-\$56.00	\$36.32	\$8.00-\$40.00	\$21.41	\$44.55
MIDTOWN SOUTH					
Direct	\$20.00-\$27.00	\$25.35	\$9.00-\$50.00	\$16.86	N/A
Sublease	\$19.00-\$27.00	\$21.70	\$8.00-\$27.00	\$18.00	N/A
Overall	\$19.00-\$27.00	\$23.80	\$8.00-\$50.00	\$16.97	N/A
MIDTOWN					
Direct	\$14.00-\$75.00	\$38.78	\$9.00-\$50.00	\$19.82	\$47.12
Sublease	\$9.75-\$67.00	\$33.62	\$8.00-\$40.00	\$18.66	N/A
Overall	\$9.75-\$75.00	\$37.47	\$8.00-\$50.00	\$19.71	\$47.12

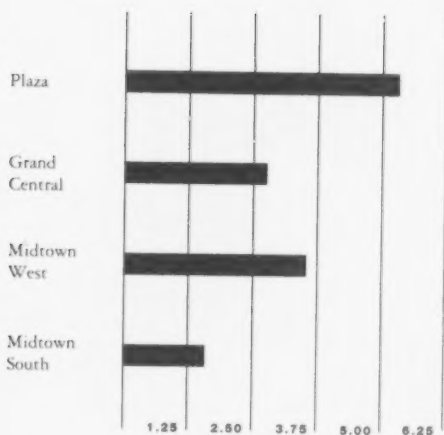
1991 Leasing Activity/New Construction

LEASING ACTIVITY

District	sf
Plaza	5,195,632
Grand Central	2,875,776
Midtown West	3,682,264
Midtown South	1,667,853

UNDER CONSTRUCTION

District	sf
Plaza	50,400
Grand Central	1,347,976
Midtown West	943,800
Midtown South	0

1991 LEASING ACTIVITY
(msf)PROJECTS UNDER CONSTRUCTION
(msf)

MIDTOWN MANHATTAN

Major Lease Transactions

Tenant Name	Industry	Property Address	Size (sf)	District
Sony Corporation	Manufacturing	550 Madison Avenue	620,000	Plaza
Health Insurance Plan of NY (HIP)	Insurance	7 West 34th Street	206,340	Midtown West
LeBoeuf Lamb Leiby & MacRae	Legal Services	125 West 55th Street	200,947	Plaza
Katz Communications	Advertising	125 West 55th Street	184,300	Plaza
Neuberger & Berman	Securities/Fin Services	605 Third Avenue	159,275	Grand Central
MacMillan/McGraw Hill School Book Division	Printing & Publishing	Ten Union Square East	134,315	Midtown South
Credit Suisse	Banking	Tower 49	106,750	Plaza
Marks Murase & White	Legal Services	399 Park Avenue	89,304	Plaza
Sprint Communications	Communications	380 Madison Avenue	88,960	Grand Central
Mitsui & Co. (USA)	Wholesale Trade	200 Park Avenue	84,432	Grand Central
Society of the NY Hospital	Misc. Services/Non-Profit	333 East 38th Street	76,000	Grand Central
Touro College	Education	27 West 23rd Street	72,000	Midtown South
Arnold & Porter	Legal Services	399 Park Avenue	68,913	Plaza
Fieldcrest Canon, Inc.	Apparel & Textiles	1271 Ave of Americas	61,982	Plaza
Turner Broadcasting System Inc. (CNN)	Entertainment	420 Fifth Avenue	58,550	Midtown West
Amstar Sugar Corporation	Manufacturing	1114 Ave of Americas	55,000	Midtown West
SunLife Insurance Co. of America	Insurance	733 Third Avenue	53,644	Grand Central
Sanmark-Stardust, Inc.	Apparel & Textiles	136 Madison Avenue	51,500	Midtown South
Equitable Capital Management Corp.	Insurance	1285 Ave of Americas	51,200	Plaza
Headquarters Companies	Real Estate	1120 Ave of Americas	51,068	Midtown West

DOWNTOWN MANHATTAN



FINANCIAL EAST

Bounded by: Battery Park, Broadway, Liberty Street, William Street, Pine Street and East River

FINANCIAL WEST

Bounded by: Battery Park, Hudson River, Albany Street, Greenwich Street, Liberty Street and Broadway

WORLD TRADE

Bounded by: Albany Street, Hudson River, Chambers Street, Church Street, Vesey Street, Broadway, Liberty Street and Greenwich Street

INSURANCE

Bounded by: Pine Street, William Street, Liberty Street, Broadway, Park Row and Brooklyn Bridge

CITY HALL

Bounded by: Brooklyn Bridge, Park Row, Church Street, Vesey Street, Chambers Street, Hudson River, East River and Canal Street

Downtown Manhattan Office Market Overview

The continued retrenchment of the financial services sector, corporate consolidations, and relocations caused the primary and secondary vacancy rates to increase despite no new construction completions. Consequently, asking rental rates declined for both primary and secondary buildings.

Leasing activity, totalling 3.4 msf, was 34.3 percent below 1990's 5.2 msf. Also, significant availabilities were put on the market by several tenants: Merrill Lynch vacated 644,000 sf at One Liberty Plaza relocating its back-office operations to New Jersey; Salomon Brothers added 313,000 sf at Two New York Plaza due to its move to 7 World Trade Center; and Davis Polk & Wardwell will leave 230,000 sf at One Chase Manhattan Plaza upon its relocation to Midtown. Additionally, the Port Authority consolidated its operations at One World Trade Center vacating 88,500 sf.

FINANCIAL EAST

Downtown's largest district saw its primary and secondary vacancy rates rise significantly as limited leasing activity was offset by several major space additions, including the aforementioned by Salomon Brothers and Davis Polk & Wardwell. Accordingly, asking rental rates declined for both primary and secondary space.

In the district's largest lease, American International Group committed to 62,782 sf at 7 Hanover Square. Notable transactions were also completed by Quick & Reilly, and Emmet Marvin & Martin.

FINANCIAL WEST

Secondary space dominated this district accounting for 93.8 percent of all available space. Consequently, activity was concentrated in secondary buildings as the New York City Office of Municipal Labor committed to 128,125 sf and the New York Association for New Americans (NYANA) leased 125,000 sf.

Although leasing activity declined from last year's levels, no major space additions allowed both primary and secondary vacancy rates to decline. However, because of substantial availabilities in Downtown's other districts, primary and secondary rental rates also decreased as landlords competed for tenants.

WORLD TRADE

With 4 of the 10 largest leasing transactions, the World Trade district accounted for 28 percent of Downtown's leasing activity. Credit Suisse secured 147,000 sf at One Liberty Plaza in Downtown's largest lease. Hartford Fire Insurance Group committed to 123,000 sf at 7 World Trade Center. In a reversal of the recent migrations from Downtown, the American Bureau of Shipping relocated from New Jersey to 50,031 sf at Two World Trade Center.

Despite this activity, the primary vacancy rate increased; space additions, including Merrill Lynch's previously-mentioned relocation, offset leasing activity. Primary asking rental rates declined, yet remained Downtown's highest, reflecting the district's position as the market's pre-eminent location.

INSURANCE

The primary vacancy rate declined considerably as a result of relatively strong leasing activity coupled with no significant space additions. Major transactions included General Accident Insurance Company of America's 88,923-square foot lease and Colonia Insurance's commitment for 29,569 sf, both at 199 Water Street.

Conversely, the secondary vacancy rate increased sharply stressing the lack of demand for non-renovated space. However, if present trends continue, this district's existing primary space will be absorbed. With no new projects planned for the next few years, pressure will be put on secondary landlords to modernize their properties or tenants will be forced to move elsewhere.

CITY HALL

This district was the only one in Downtown to witness development activity during 1991. A 50,000-square foot building at 202-204 Canal Street is scheduled for completion in early 1992. The Bank of East Asia owns the property and will occupy approximately 60 percent of it. Also, the Federal Government announced its plans for two projects with late 1994 completion dates: a 922,000-square foot courthouse at Foley Square, and a 974,000-square foot office building at 290 Broadway. Both will be entirely occupied by State and Federal Government agencies.

Leasing activity remained slow and was concentrated in the secondary market, mainly due to the lack of available primary space. The City Hall district continued to have both the lowest vacancy and rental rates Downtown.

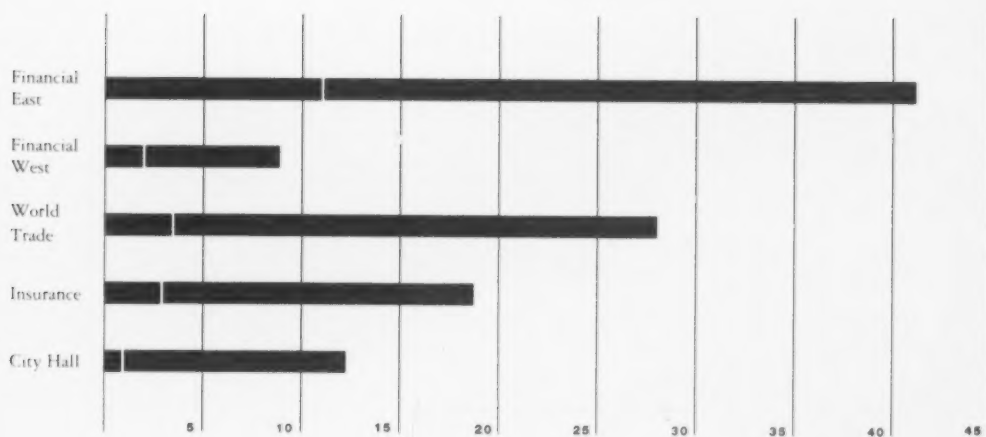
District Activity

District	Inventory (sf)	Direct Available (sf)	Sublease Available (sf)	Overall Available (sf)	Direct Vacancy Rate	Sublease Vacancy Rate	Overall Vacancy Rate
FINANCIAL EAST							
Primary	33,628,061	6,909,946	1,117,603	8,027,549	20.5%	3.5%	23.9%
Secondary	7,892,313	2,849,440	83,208	2,932,648	36.1%	1.1%	37.2%
Overall	41,520,374	9,759,386	1,200,811	10,960,197	23.5%	2.9%	26.4%
FINANCIAL WEST							
Primary	829,196	111,210	29,280	140,490	13.4%	3.5%	16.9%
Secondary	7,412,695	1,629,175	422,967	2,052,142	22.0%	5.7%	27.7%
Overall	8,241,891	1,740,385	452,247	2,192,632	21.1%	5.5%	26.6%
WORLD TRADE							
Primary	25,891,390	2,393,851	730,893	3,124,744	9.2%	2.8%	12.1%
Secondary	1,933,387	446,529	5,440	451,969	23.1%	0.3%	23.4%
Overall	27,824,777	2,840,380	736,333	3,576,713	10.2%	2.6%	12.9%
INSURANCE							
Primary	12,878,168	1,577,468	108,079	1,685,547	12.2%	0.8%	13.1%
Secondary	5,251,763	1,074,920	105,389	1,184,309	20.5%	2.1%	22.6%
Overall	18,129,931	2,652,388	213,468	2,869,856	14.6%	1.2%	15.8%
CITY HALL							
Primary	5,914,158	8,954	0	8,954	0.2%	0.0%	0.2%
Secondary	6,396,185	599,913	37,824	637,737	9.4%	0.6%	10.0%
Overall	12,310,343	608,867	37,824	646,691	4.9%	0.3%	5.3%
DOWNTOWN							
Primary	79,140,973	11,001,429	1,985,855	12,987,284	13.9%	2.5%	16.4%
Secondary	28,886,343	6,599,977	658,828	7,258,805	22.8%	2.3%	25.1%
Overall	108,027,316	17,601,406	2,644,683	20,246,089	16.3%	2.4%	18.7%

Total Available Space Compared to Inventory

TOTAL AVAILABLE SPACE COMPARED TO INVENTORY

■ Total Occupied (msf) ■ Overall Available (msf)



Historical Construction Completions

District	1987	1988	1989	1990	1991
Financial East	2,100,900	0	1,587,849	0	0
Financial West	0	0	0	0	0
World Trade	4,575,000	0	0	0	0
Insurance	0	0	224,551	0	0
City Hall	0	0	1,600,000	0	0
Downtown	6,675,900	0	3,412,380	0	0

1991 Rental Rate Summary

District	Primary Rental Rate Range (\$/sf)	Primary Weighted Average Rental Rate (\$/sf)	Secondary Rental Rate Range (\$/sf)	Secondary Weighted Average Rental Rate (\$/sf)	Under Construction Weighted Average Rental Rate (\$/sf)
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FINANCIAL EAST

Direct	\$19.00-\$49.50	\$33.06	\$10.00-\$31.00	\$22.48	N/A
Sublease	\$19.00-\$45.00	\$22.53	\$13.00-\$28.00	\$16.32	N/A
Overall	\$9.00-\$49.50	\$31.60	\$10.00-\$31.00	\$22.30	N/A

FINANCIAL WEST

Direct	\$32.00-\$38.00	\$34.21	\$15.00-\$29.00	\$21.73	N/A
Sublease	\$12.00-\$38.00	\$18.14	\$8.00-\$26.00	\$16.39	N/A
Overall	\$12.00-\$38.00	\$30.86	\$8.00-\$29.00	\$20.63	N/A

WORLD TRADE

Direct	\$20.00-\$48.00	\$36.34	\$16.00-\$32.00	\$25.07	N/A
Sublease	\$20.00-\$45.00	\$30.98	\$17.00-\$19.00	\$18.29	N/A
Overall	\$20.00-\$48.00	\$35.09	\$16.00-\$32.00	\$24.99	N/A

INSURANCE

Direct	\$21.00-\$37.00	\$27.12	\$9.00-\$42.00	\$20.21	N/A
Sublease	\$11.00-\$35.00	\$22.15	\$12.00-\$42.00	\$12.85	N/A
Overall	\$11.00-\$37.00	\$26.80	\$9.00-\$42.00	\$19.53	N/A

CITY HALL

Direct	\$25.00-\$30.00	\$25.91	\$10.00-\$25.00	\$18.93	\$25.00
Sublease	N/A	N/A	\$10.00-\$23.00	\$18.03	N/A
Overall	\$25.00-\$30.00	\$25.91	\$10.00-\$25.00	\$18.87	\$25.00

DOWNTOWN

Direct	\$19.00-\$49.50	\$32.93	\$9.00-\$42.00	\$21.78	\$25.00
Sublease	\$9.00-\$45.00	\$25.56	\$8.00-\$28.00	\$15.90	N/A
Overall	\$9.00-\$49.50	\$31.80	\$8.00-\$42.00	\$21.24	\$25.00

1991 Leasing Activity/New Construction

LEASING ACTIVITY

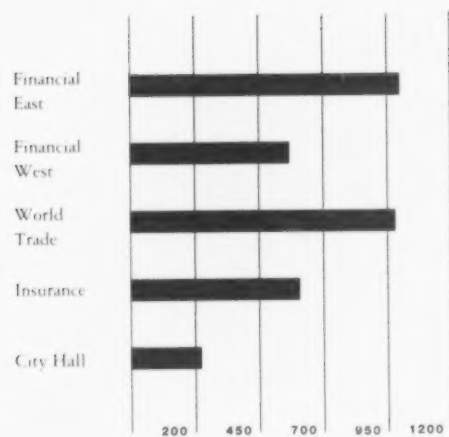
District	sf
Financial East	1,000,905
Financial West	614,808
World Trade	964,729
Insurance	652,003
City Hall	204,702

UNDER CONSTRUCTION

District	sf
Financial East	0
Financial West	0
World Trade	0
Insurance	0
City Hall	50,000

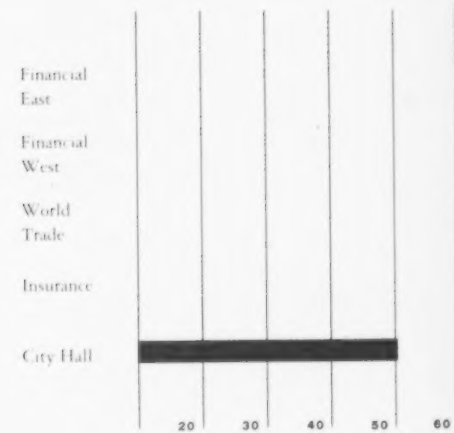
1991 LEASING ACTIVITY

(thousands sf)



PROJECTS UNDER CONSTRUCTION

(thousands sf)



Major Lease Transactions

Tenant Name	Industry	Property Address	Size (sf)	District
Credit Suisse	Banking	One Liberty Plaza	147,193	World Trade
New York City Office of Municipal Labor	Public Admin.	40 Rector Street	128,125	Financial West
New York Association for New Americans	Misc. Services/Non-profit	17 Battery Place N&S	125,000	Financial West
Hartford Fire Insurance Group	Insurance	7 World Trade Center	122,592	World Trade
General Accident Insurance Co. of America	Insurance	199 Water Street	88,923	Insurance
NYS Dept. of Social Services	Public Admin.	22 Cortlandt Street	74,260	World Trade
American International Group	Insurance	7 Hanover Square	62,782	Financial East
Quick & Reilly Group	Securities Fin Services	26 Broadway	62,000	Financial East
Emmet Marvin & Martin	Legal Services	120 Broadway	52,089	Financial East
American Bureau of Shipping	Transportation	Two World Trade Center	50,051	World Trade
Interactive Data Corp.	Computer	14 Wall Street	46,500	Financial East
American Banker Bond Buyer	Printing & Publishing	Two Broadway	43,944	Financial East
GSA US Attorney's Office	Government	100 Church Street	41,200	World Trade
Amerop Trading Corp.	Trading	Two World Financial Center	39,018	World Trade
Catholic Publishing Press	Printing & Publishing	14 Wall Street	34,770	Financial East
Kyowa Bank, Ltd.	Banking	One World Trade Center	32,759	World Trade
Zurich American Group	Insurance	One Liberty Plaza	31,000	World Trade
Chemical Bank/Manufacturers Hanover	Banking	14 Wall Street	30,000	Financial East
Colonia Insurance	Insurance	199 Water Street	29,569	Insurance
Federal Bureau of Investigation	Government	127 John Street	28,600	Insurance

Glossary

Inventory

Includes buildings that have received a Certificate of Occupancy (C of O) as of December 31, 1991.

Vacancy Rate

Space, available both directly and through sublease, divided by the inventory. Space in buildings under construction is not included.

New Construction

Buildings that have received a C of O in the stated year. In this report, it is buildings completed in 1991.

Under Construction

Buildings that have had excavation commence up to the time they have received a C of O.

Proposed

Any planned office building or assemblage that has not yet begun excavation.

Primary

Buildings that are well-located, professionally managed and maintained, attract high-quality tenants, and command upper-tier rental rates. Structures are modern or have been modernized to compete successfully with new buildings.

Secondary

Buildings with less than three of the characteristics listed above.

Leasing Activity

The sum of all completed lease transactions for a given period of time, including sublet space. It also includes preleasing and expansion activity, but excludes lease renewals.

Rental Rates

The gross annual asking rental rates quoted by the landlord, sublandlord or their agents.

The weighted average rental rate represents an average rental rate that is weighted by the amount of square footage available at each respective rental rate.

Symbols

N/A	not applicable
sf	square foot/feet
per	per square foot
msf	million square feet

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Atlanta

Phoenix

California

Century City/Beverly Hills
Contra Costa County
Los Angeles
Los Angeles North
Los Angeles South
Newport Beach/Irvine
Oakland
Ontario
Orange/Anaheim
San Francisco
San Francisco Peninsula
San Jose

Colorado

Denver

Connecticut

Hartford
Stamford

District of Columbia

Washington, DC
Suburban/Virginia, VA

Florida

Ft. Lauderdale
Miami
Orlando
Tampa

Georgia

Atlanta

Illinois

Chicago
Chicago Suburbs

Kentucky

Louisville

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